“Get a TAN, Yanis!” Tax Anticipation Notes - a parallel currency

This paper aims to: build upon the Money & Society MOOC by exploring Local Authority tax collecting powers; and to explore the feasibility of whether UK Green unitary authority Brighton & Hove City Council could also reject the “austerity doctrine”, by issuing “Tax Anticipation Notes” in solidarity with new Greek finance minister Yanis Varoufakis: “the most interesting man in the world”. [1] [2]

Why is this important to money reformers pursuing change? In the early 20th century, psychologist Kurt Lewin identified three stages of change that are still the basis of many approaches today (especially in a project like the one proposed here): unfreeze, transition, refreeze. [3] Top layer money reform, say by lobbying MP's and private corporations (banks) to support the Positive Money campaign for 100% Reserve Banking [4] is hard to unfreeze. And base layer mutual credit networks are hard to build [5]. However, intermediate layer Local Authority tax collecting powers (not covered in the MOOC) offer a very interesting and timely opportunity to explore an alternative, potentially easier, money reform agenda with a highly inspiring and successful but long neglected history.

1930's Tax Anticipation Scrip (TAS)

Approximately 100 US municipal governments of different types issued TAS. They are easily calibrated to the structure and functions of local governments issuing it. TAS increased the potential and opportunity for civic engagement, and incentivised citizens to pay tax, assuring far longer circulation than other scrip varieties because its like a loan from citizens rather than banks, and could be issued directly for wages and other expenses as needed. Unlike clearinghouse certificates, it was not retired with the reopening of the banks in March 1933; unlike the scrip of barter and self-help groups, it did not circulate merely on the margins of the formal economy; and, unlike stamp scrip, its method of validation did not confine its circulation to tiny rural communities.

Success depended above all else on the credibility of its management, but also on retailers wanting it, both tax payers and government demanding it, and mechanisms to redistribute it to those who most need it for tax payments “avoiding the clogging of channels”. Beyond the sheer presence or absence of a discount on the notes, ultimately what activates tax-based scrip is sufficient public willingness to accept scrip as a legitimate economic instrument for routine transactions. [6] [7]

TAN in Greece?

In the Financial Times 5th February 2015 Wolfgang Münchau wrote “My advice to Yanis Varoufakis would be to ignore the exasperated looks and veiled threats and stand firm. He is a member of the first government in the euro zone with a democratic mandate to stand up to an utterly dysfunctional policy regime that has proved economically illiterate and politically unsustainable.”

The publication of such a vigorous comment in one of the world’s major financial dailies underscores that the ruling political and financial circles have some measure of support for the Syriza program and its opposition to the austerity agenda. [8]

Rather than leave the Euro, Münchau cites US economist Robert Parenteau's proposed tax anticipation notes. These are IOUs backed by future tax revenue. Such instruments exist in the US at state level acting as tax credits allowing governments to run a fiscal deficit. With such an instrument Greece could abandon austerity without abandoning the Euro. [9] [10]

UK Council Tax Data

In the UK Council Tax arrears in 2003 was £2.3 billion, around 2 - 3% of total owed. Arrears increased about 8 per cent between 2008 to 2012 after taking into account inflation. £471 million of outstanding council tax from previous years was collected in 2011/12 with £171 million being written off.

Council Tax received from previous year's bills in Brighton & Hove was £1.8 million in 2013-14 with total arrears about £15 million, and court recovery and admin costs of £1.9 million. [11][12]

Green Party Policy

“The existing banking system has failed and is no longer fit for purpose, the power to create money must be removed from private banks.” EC663 [13]

“Poorer citizens have access to affordable credit, to increase their basic living standards by the promotion and support of credit unions and micro-credit schemes.” EC679 [14]

Conclusion

In the UK, Tax Anticipation Notes issued by Local Authorities have the potential to liquidate and circulate £642 billion (2011/12 figures) of Council Tax debt that is collected a year or more late, or written off.

In Brighton & Hove around £2 million is collected a year or more late, with nearly as much on court and recovery costs. With its Green Council and MP comprehensively supporting top and bottom layer money reform the city would likely be one of the most receptive Local Authorities to fully support a research project investigating the viability of it issuing Tax Anticipation Notes.

“Council tax arrears now biggest debt problem reported to Citizens Advice” and are rising [15] after “government cuts of £500 million” [16] with “up to 500,000” even worse off [17]. 'Councils who chose not to introduce a minimum payment saw a smaller increase in arrears than those who did opt for a minimum payment” [18] like Brighton & Hove, further enhancing the case for it issuing Tax Anticipation Notes.

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[847 words]

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[1] https://www.theguardian.com/world/2015/feb/13/greece-finance-minister-yanis-varoufakis-interview-syriza-eurozone

[1a] https://crisisobs.gr/en/2015/03/the-greek-crisis-time-to-rethink-the-concept-of-money/

[2] http://theweek.com/articles/538886/greek-finance-minister-yanis-varoufakis-most-interesting-man-world

[3] http://changingminds.org/disciplines/change_management/lewin_change/lewin_change.htm

[4] http://www.positivemoney.org/2014/11/uk-parliament-debate-money-creation-first-time-170-years/

[5] http://p2pfoundation.net/Mutual_Credit

[6] https://ijccr.net/2012/07/02/tax-anticipation-scrip-as-a-form-of-local-currency-in-the-usa-during-the-1930s/

[7] https://www3.uco.edu/centraldirectory/profiles/5935

[8] http://www.globalresearch.ca/a-revealing-financial-times-comment-on-the-greek-debt-crisis/5431600

[9] http://www.ft.com/cms/s/0/175f6634-b2d3-11e4-a058-00144feab7de.html#axzz3U4tp1ujh [pay-wall]

[10] https://www.creditwritedowns.com/2015/02/tax-anticipation-notes-timely-alternative-financing-instrument-greece.html

[11] Council-tax-briefing-final-version-18-June.pdf Audit Commission

[12] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/326707/Drop_down_QRC4_form_2013-14.xlsx

[13] http://policy.greenparty.org.uk/ec.html#EC663

[14] http://policy.greenparty.org.uk/ec.html#EC679

[15] http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_office-newpage-20140526.htm

[16] http://www.independent.co.uk/news/uk/politics/up-to-450000-face-court-over-council-tax-arrears-8872515.html

[17] https://fullfact.org/factchecks/council_tax_Labour_court_summons-29234

[18] https://www.npi.org.uk/blog/council-tax/council-tax-arrears-rise-fastest-where-support-cut-most/